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June 25, 2004

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Chairman Powell,

I read with great interest an article in the May 24 issue of USA Today regarding 'a la carte' programming for cable and satellite TV service. I believe 'a la carte' programming may be necessary to control the rising cost of television, cable and satellite network programming.

Need for 'A La Carte' Programming

The National Cable & Telecommunications Association (NCTA) claims the cable industry "offers an abundance of high-quality programming that educates, informs and entertains." That objective is not being achieved. Although the networks and the NCTA may believe quality programming is proportional to the number of channels available, consumer demand for greater choice in programming selection is a clear indicator to the contrary.

Research shows the average subscriber regularly views about 14 channels. In a recent poll commissioned by the conservative Concerned Women for America, 66% of consumers prefer to choose their channels and 80% object to paying for channels they do not view. Of the 91 channels available from my current provider, 35 channels are "actively" viewed. If allowed to select individual channels, a la carte, 42 channels would be viewed actively. These choices do not include premium movie or sports channels.

The Learning Channel and Discovery Channel are representative examples of program manipulation for profit. Three years ago, The Learning Channel and Discovery Channel offered high quality programming covering a broad range of subjects. Since then, the more popular programming subjects (science, technology and health) have each been assigned individual channels. The new channels are now placed in a "premium tier," a tier viewers cannot purchase separately. In order to view programming previously an integral part of the "expanded basic tier," viewers must now purchase not only the "expanded basic tier" for The Learning Channel and Discovery Channel but must also purchase the "premium tier" for the Discovery Science, Discovery Wings and Discovery Health channels. The programming remaining on The Learning Channel and Discovery Channel offers little of value. I would gladly discontinue both channels if possible.

MTV networks, a part of many basic cable and satellite packages, is scheduled to launch a new gay and lesbian channel next year. The new channel, supported by advertisers, will start broadcasting in February 2005 via cable and satellite. The "*Logo*" network, as it is called, will target primarily gays and lesbians, a relatively small percentage of the viewer demographic. Is it equitable to expect all viewers to support programming targeted for a specific demographic by requiring viewers to purchase a tier containing this and other networks? Can the same justification be extended to more esoteric subjects such as pet care, basket weaving or quantum mechanics?

Channel blocking capability is not the answer. The primary issue is paying for a service that provides little or no benefit to the viewer. The viewer should not be required to pay for a service they do not want. This is an acceptable free market practice that allows the viewer to determine the value of the goods or services being sold.

Response to Industry Objections

In a recent study titled "The Pitfalls of A La Carte", the NCTA claims a la carte programming would result in the survival of the most popular ad-supported channels while those with more niche appeal would wither, cutting the diversity of choices. For example, The Golf Channel started in 1996 as a subscription fee channel and generated enough interest to move it to an expanded basic tier. The Golf Channel is still in operation today with 60 million subscribers.

How did the NCTA determine there are 60 million viewers? Does The Golf Channel survive because of demand for this type of programming (value?) or because it is grouped with other programming in a tier? More importantly, how many viewers, if given a choice, would discontinue the channel to lower their monthly charges?

The NCTA claims cable networks will be unable to recoup lost revenues by charging more for advertising since the network will have fewer *potential* viewers in an 'a la carte' world. Their only option is to raise subscription fees, meaning higher prices for the consumer. The Government Accounting Office recently confirmed this conclusion, finding a la carte could “result in higher per-channel rates” for consumers.

In fact, the GAO determined only that if a channel charged more to a cable or satellite provider, the increased cost would probably be passed along to subscribers. However, consumers could easily avoid such costs under an a la carte system by simply not subscribing to potentially pricey channels like MTV or Fox News.

The NCTA claims a la carte will increase prices for consumers because an addressable set-top box would be needed for each television set in a home to receive a la carte services.

Homes with satellite reception are already equipped with digital set-top receivers for each television. If satellite can provide a digital signal to each TV in a home at a cost comparable to direct cable, the cost of the set top box is moot. From the consumer's perspective, the additional cost of a set top box would be offset by the reduction in channels received and subsequent reduction in overall cost. Consumers will seek the most appropriate choice in service and programming, encouraging cable and satellite companies to reduce costs or develop less costly alternative delivery methods.

Summary

It is understandable why the network and cable industries do not support a la carte programming: A la Carte programming empowers the consumer with greater control of programming choice and associated programming costs. Coincidentally, the cable and satellite industries also acquire the tools to control costs and improve program quality.

Profits earned by the cable companies are not being used for development of new and more cost-effective delivery methods. According to Consumers Union and Consumer Federation of America, between 1998 and 2001, cable companies spent approximately **$250 billion** on mergers and acquisitions, i.e. they spent nearly six times as much on buying each other out as they did on system upgrades. Digital satellite systems provide high quality transmission services at costs comparable to cable. The cable industry, it appears, is struggling to maintain *'status quo'*, resisting change in an attempt to delay the inevitable transition to digital programming.

Although "tiers" equalize the playing field, insufficient tiers offer inadequate selection, unfairly subsidizing low quality programming. Smaller tiers, structured around subject, may be an acceptable alternative. Clustering channels, related by subject, allows the advertiser to target marketing material to a more receptive audience. It is essential, however, the consumer be allowed to choose. Coercing consumers into purchasing "tiers" containing programming with little value increases advertising revenues without providing any direct benefit to consumers.

The networks expressing the greatest objection have created this very problem by manipulating programming tiers for profit. Since cable and satellite networks are unwilling or unable to set limits, programming expenses continue to climb unchecked. This leaves the consumer with few options. When increases in programming costs are passed along to consumers, how do consumers manage their costs in an "all or nothing" environment? In a free market society, the consumer determines the value and ultimately the success of a program. The free market principle must be allowed to operate freely to be successful.

John Littleton

Cc: Representative Joe Barton, Texas
Representative Nathan Deal, Georgia
Representative John Dingell, Michigan
Senator John McCain, Arizona
Senator Gordon Smith, Oregon
Senator Ron Wyden, Oregon